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OPEN MEETING ITEM



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ARIZONA CORPORATION COMMISSION

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DOCKET CONTROL

DATE: APRIL 16, 2013
DOCKET NO.: T-02724A-12-0489

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Teena Jibilian. The recommendation has been filed in the form of an Opinion and Order on:

TABLE TOP TELEPHONE COMPANY, INC.
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

APRIL 25, 2013

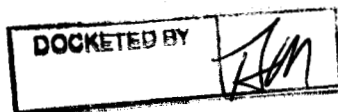
The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

MAY 1, 2013 AND MAY 2, 2013

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission
DOCKETED

APR 16 2013



Jodi A. Jerich
JODI JERICH
EXECUTIVE DIRECTOR

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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 BOB STUMP - Chairman
4 GARY PIERCE
5 BRENDA BURNS
6 BOB BURNS
7 SUSAN BITTER SMITH

8 IN THE MATTER OF THE APPLICATION OF
9 TABLE TOP TELEPHONE COMPANY, INC. FOR
10 A HEARING TO DETERMINE THE EARNINGS
11 OF THE COMPANY, THE FAIR VALUE OF THE
12 COMPANY FOR RATEMAKING PURPOSES,
13 AND TO INCREASE RESIDENTIAL RATES AS
14 NECESSARY TO COMPENSATE FOR THE RATE
15 IMPACTS OF THE FCC'S USF/ICC
16 TRANSFORMATION ORDER.

DOCKET NO. T-02724A-12-0489

DECISION NO. _____

17 **OPINION AND ORDER**

18 DATE OF HEARING: March 26, 2013

19 PLACE OF HEARING: Phoenix, Arizona

20 ADMINISTRATIVE LAW JUDGE: Teena Jibilian

21 APPEARANCES: Mr. Craig A. Marks, CRAIG A. MARKS, PLC, on
22 behalf of Applicant; and

23 Mr. Charles O. Hains and Mr. Brian E. Smith, Staff
24 Attorneys, Legal Division, on behalf of the Utilities
25 Division of the Arizona Corporation Commission.

26 **BY THE COMMISSION:**

27 On November 23, 2012, Table Top Telephone Company ("Table Top" or "Company") filed
28 with the Arizona Corporation Commission ("Commission") the above-captioned application. The
application states that it was filed pursuant to A.R.S. § 40-250 and Arizona Administrative Code
R14-2-103, to compensate for the rate impacts of the Federal Communication Commission's
("FCC's") November 18, 2011 Universal Service Fund/Inter-carrier Compensation ("USF/ICC")
Transformation Order ("USF/ICC Transformation Order").¹

* * * * *

Having considered the entire record herein and being fully advised in the premises, the

¹ FCC 11-161, *Connect America Fund, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking*, 26 FCC Rcd 17663 (November 18, 2011); *pets. for review pending* (10th Cir. filed Dec. 8, 2011).

1 Commission finds, concludes, and orders that:

2 **FINDINGS OF FACT**

3 **Procedural History**

4 1. On December 7, 2012, Table Top filed the rate application with the Commission.

5 2. On January 22, 2013, Table Top filed a Motion for Procedural Order.

6 3. On January 28, 2013, a Rate Case Procedural Order was issued, setting the matter for
7 hearing and establishing associated procedural deadlines, including the mailing of notice of the
8 application and hearing to all of Table Top's customers.

9 4. On February 22, 2013, Table Top filed an Affidavit indicating that notice as ordered
10 by the Rate Case Procedural Order was mailed to each customer of Table Top.

11 5. No requests for intervention were filed.

12 6. On March 14, 2013, Staff filed its Staff Report recommending approval of the
13 application, for an increase to \$14.00 in the monthly residence local exchange rate to address the
14 impact of the FCC's USF/ICC Order.

15 7. On March 21, 2013, Staff filed the Testimony Summary of its witness.

16 8. On March 19, 2013, one public comment was filed in opposition to the rate increase.

17 9. On March 26, 2013, a hearing on the application was convened before a duly
18 authorized Administrative Law Judge of the Commission. Table Top and Staff appeared through
19 counsel, presented testimony and evidence through witnesses, and were provided an opportunity to
20 cross examine witnesses. No members of the public appeared to provide public comment.

21 10. At the hearing, Table Top provided evidence responding to the March 19, 2013 public
22 comment. The public commenter had expressed a belief that Table Top is the exclusive provider of
23 telecommunications services in the Inscription Canyon Ranch area, and requested that prior to
24 consideration of the rate application, that the Commission "consider removal of Table Top's
25 exclusivity." Table Top's witness testified that Cable One offers telephone and internet services in
26 the Inscription Canyon Ranch area.

27 11. Following the parties' submission of evidence, the matter was taken under advisement
28 pending the submission of a Recommended Opinion and Order.

Table Top

12. Table Top is an Arizona public service corporation engaged in the business of providing telephone utility service to the public in Apache, Coconino, Maricopa, Pima and Yavapai counties in Arizona. The Company serves customers in its Aguila, Ajo, Bagdad, Inscription Canyon Ranch, Sanders and Seligman Exchanges. In its April 15, 2012, Utilities Annual Report, Table Top reported 2,543 residential lines and 1,452 business lines.

13. Table Top is currently charging rates set by Commission Decision No. 62840 (August 24, 2000).

14. Table Top is a rate of return incumbent local exchange carrier ("ILEC") eligible to receive federal high-cost loop support ("FHCLS").

FCC USF/ICC Order

15. On November 18, 2011, the FCC issued the USF/ICC Order. The USF/ICC Order provides for a transition from former federal universal service programs and most intercarrier compensation systems into a new Connect America Fund ("CAF"). In its USF/ICC Order, the FCC states that by July 1, 2020, intercarrier compensation rates for rate of return companies will be reduced to zero. The recovery from the CAF will phase out over time at 5 percent annually.

16. The USF/ICC Order adds new rules that will reduce FHCLS to carriers by the amount their flat-rate residential local service rates fall below a specified local service rate floor. The rate floor includes state subscriber line charges, state universal service fees, and mandatory extended area service charges, if any are assessed. The USF/ICC Order establishes those rate floors at \$14.00 as of June 1, 2013, with the floor thereafter being determined annually by the FCC's Wireline Competition Bureau.

17. As a recipient of FHCLS, Table Top is affected by the FCC USF/ICC Order. Under the USF/ICC Order, to continue receiving FHCLS, rural ILECs such as Table Top must increase their residential local rates to the FCC-mandated residential rate floors. Otherwise, the amount of FHCLS funds received will be reduced dollar-for-dollar for each customer by the difference between the existing local rate and the new rate floor.

...

1 **Application**

2 18. Table Top's application requests authority to increase basic local access line rates
3 from \$13.55 to the \$14.00 rate floor mandated by the USF/ICC Order to allow it to continue
4 receiving FHCLS. In addition, the application requests a reduction in the tariffed residential Zone 1
5 charge from \$1.25 to \$0.80, and a reduction in the tariffed residential Zone 2 charge from \$3.25 to
6 \$2.80. Thus, under Table Top's proposed rate increase, while a majority of customers would see an
7 increase in base rates from \$13.55 to \$14.00, Zone 1 and Zone 2 customers would see no overall
8 increase in current base rates plus zone charge. Zone 1 customers would continue to pay \$14.80 and
9 Zone 2 customers would continue to pay \$16.80.

10 19. Table Top submitted the application, after consulting with Staff, in a "streamlined"
11 form. The application and accompanying exhibits in support of Table Top's requested increase in
12 residential rates are based on the twelve months ending December 31, 2012.

13 20. For the twelve months ending December 31, 2012, Table Top's filing indicates total
14 Intrastate Operating Revenues of \$4,541,836 (which includes FHCLS and Federal Safety Net
15 Additive Support of \$2,287,371), and total Intrastate Operating Expenses of \$3,719,809, for total
16 Intrastate Operating Income of \$822,027 before taxes, and \$513,605 after taxes.

17 21. The filing indicates a total Arizona rate base of \$22,565,967, of which \$9,883,077 is
18 interstate, and \$12,682,890 is intrastate.

19 **Staff Recommendations**

20 22. Staff states that it reviewed the application and the federal rule changes that prompted
21 its filing. Staff states that it concluded that the costs appear reasonable and appropriate under the
22 unique circumstances of this case, but that its recommendation should not be viewed as precedent for
23 the processing of future rate case applications.

24 23. Staff states that for the purposes of this proceeding, Table Top stipulated to the use of
25 original cost less depreciation ("OCRB") as the basis for a determination of its fair value rate base
26 ("FVRB").

27 24. Staff reviewed and analyzed the filing, but did not perform a regulatory audit. Staff
28 does not recommend that Table Top's rates be set based on a revenue requirement analysis.

1 25. Staff states that the annual revenue effect of Table Top's requested increase in local
2 telephone service rates to \$14.00 would be \$9,817. Staff states that compared to Table Top's total
3 revenues, any revenue impact from this rate increase would be small, and any impact on Table Top's
4 fair value rate of return would be de minimus.

5 26. Staff recommends that Table Top's monthly residence local exchange rate be
6 increased to \$14.00 to address the impact of the USF/ICC Transformation Order. Staff states that it
7 believes the requested increase is just, fair, and reasonable for the following reasons:

- 8 (a) The increase is necessitated by the FCC's November 18, 2011 USF/ICC
9 Transformation Order;
- 10 (b) The increase is necessary to preserve the entirety of the federal USF funds that
may flow to Table Top pursuant to the FCC's rules;
- 11 (c) The increase will minimize/reduce the amount of future rate increase; and
- 12 (d) The increase will allow Table Top to receive matching funds from the FUSF.

13 27. The Staff Report states that on December 7, 2012, the Records Section of the
14 Corporations Division responded that Table Top is in Good Standing, and a review of Consumer
15 Services database revealed that two complaints, inquiries and opinions were received pertaining to
16 Table Top for the period January 1, 2009 – December 18, 2012. The Staff Report states that all
17 complaints, inquiries and opinions have been resolved and closed.

18 28. Staff states that a check of the Utilities Division Compliance Section database showed
19 that Table Top is in compliance with all items.

20 **Conclusions**

21 1. Under the particular circumstances of this proceeding, a rate of return analysis is not
22 useful.

23 2. According to the evidence presented, the rate increase request will have a de minimus
24 impact on Table Top's return on FVRB.

25 3. Staff's recommendations are reasonable and should be adopted.

26 4. Under the particular circumstances of this proceeding, Table Top's rates for residential
27 local service should increase from the currently tariffed rate of \$13.55 to \$14.00, in order to assure
28

1 continued FUSF support for Table Top's services. The Zone 1 residential customer charge should be
2 reduced from \$1.25 to \$0.80, and the Zone 2 residential customer charge should be reduced from
3 \$3.25 to \$2.80. All other currently tariffed rates should remain unchanged.

4 **CONCLUSIONS OF LAW**

5 1. Table Top is a public service corporation within the meaning of Article 15 of the
6 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

7 2. The Commission has jurisdiction over the Company and over the subject matter of this
8 proceeding.

9 3. The Company provided notice of this proceeding in accordance with law.

10 4. The Company's Arizona Intrastate FVRB as of December 31, 2012, is \$2,395,025.

11 5. Under the particular circumstances of this proceeding, a rate of return analysis is not
12 useful.

13 6. Under the particular circumstances of this proceeding, it is appropriate to increase
14 Table Top's rates for residential local service from the currently tariffed rate of \$13.55 to \$14.00, in
15 order to assure continued FUSF support for Table Top's services.

16 7. Under the particular circumstances of this proceeding, it is appropriate to reduce the
17 Zone 1 residential customer charge from \$1.25 to \$0.80, and the Zone 2 residential customer charge
18 from \$3.25 to \$2.80. All other currently tariffed rates should remain unchanged.

19 8. The rates and charges authorized herein are just and reasonable and promote the public
20 interest.

21 9. The Company should be directed to file revised tariffs showing the rates authorized
22 herein.

23 **ORDER**

24 IT IS THEREFORE ORDERED that Table Top Company shall change its rates and charges
25 in accordance with the Findings of Fact herein.

26 IT IS FURTHER ORDERED that such new rates and charges shall be effective for Table Top
27 Company's billings on or after June 1, 2013.

28 ...

1 IT IS FURTHER ORDERED that Table Top Company is authorized and directed to file, on
2 or before May 31, 2013, revised schedules of rates and charges consistent with the Findings of Fact
3 and Conclusions of Law contained herein.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6
7
8 CHAIRMAN

COMMISSIONER

9
10 COMMISSIONER

COMMISSIONER

COMMISSIONER

11
12 IN WITNESS WHEREOF, I, JODI JERICH, Executive
13 Director of the Arizona Corporation Commission, have
14 hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this _____ day of _____ 2013.

15
16 JODI JERICH
17 EXECUTIVE DIRECTOR

18 DISSENT _____

19
20 DISSENT _____

1 SERVICE LIST FOR: TABLE TOP TELEPHONE COMPANY

2 DOCKET NO.: T-02724A-12-0489

3

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